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首鋼福山資源集團有限公司
SHOUGANG FUSHAN RESOURCES GROUP LIMITED

(Incorporated in Hong Kong with limited liability)

(Stock Code: 639)

**CONTINUING CONNECTED TRANSACTION
TENANCY AGREEMENT**

The Board announces that on 31 August 2018, the Company and certain wholly-owned subsidiaries of the Company, as the Tenants, entered into the Tenancy Agreement with Winluck, as the Landlord, in respect of the lease of the Premises.

As Shougang International is a substantial shareholder of the Company, its holding company, Shougang Group, is also a substantial shareholder of the Company. Accordingly, the transactions between the Group and Shougang Group and/or its associates become connected transactions for the Company under the Listing Rules. Since Winluck is an indirect wholly-owned subsidiary of Shougang Group, the transaction under the Tenancy Agreement constitutes a continuing connected transaction for the Company under the Listing Rules.

Pursuant to Rule 14A.76 of the Listing Rules, as the applicable percentage ratios (other than the profits ratio) calculated with reference to the highest annual rent payable under the Tenancy Agreement exceed 0.1% but less than 5%, the Tenancy Agreement is subject to the reporting, announcement and annual review requirements, but is exempt from the circular (including independent financial advice) and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

TENANCY AGREEMENT

On 31 August 2018, the Tenants entered into the Tenancy Agreement with the Landlord in respect of the lease of the Premises. Details of the Tenancy Agreement are set out below:

Date of agreement : 31 August 2018

Landlord : Winluck

Tenants : The Company and certain wholly-owned subsidiaries of the Company

Premises : Portion of the 6th Floor of Bank of East Asia Harbour View Centre, No. 56 Gloucester Road, Wanchai, Hong Kong with an aggregate gross floor area of approximately 6,667 square feet

Term : 1 September 2018 to 31 December 2020

Rent : monthly rental of HK\$313,000 (exclusive of rates and management fee) payable monthly in advance on the first day of each and every calendar month

Use : As office of the Group (including the Tenants)

ANNUAL CAPS

In accordance to the previous tenancy agreement and 2016 Tenancy Agreement and entered into with the Landlord for the Premises, the aggregate annual rent for the financial years ended 31 December 2016 and 31 December 2017 was HK\$3,600,000 and HK\$3,756,000 respectively, and that for the eight months ended 31 August 2018 was HK\$2,504,000.

Based on the monthly rent payable under the Tenancy Agreement, the Annual Cap for each of the financial year ending 31 December 2018, 2019, and 2020 is set as HK\$1,252,000, HK\$3,756,000, and HK\$3,756,000 respectively.

The Annual Caps were reached on an arm's-length basis and were determined with reference to (1) the rent under the 2016 Tenancy Agreement; (2) the prevailing market rents for the same building; (3) the prevailing market rents for the adjacent properties; and (4) the prevailing property market conditions.

REASONS AND BENEFITS OF ENTERING INTO THE TENANCY AGREEMENT

The Group has been using the Premises as its offices. The Tenancy Agreement serves to renew the 2016 Tenancy Agreement which is expired on 31 August 2018. The Board considers that the continued use of the Premises as office would generate benefits to the Group as a whole in terms of saving on relocation and relevant administration costs.

The Board, including the independent non-executive Directors, is of the opinion that the terms of the Tenancy Agreement are agreed on an arm's length basis and on normal commercial terms which are fair and reasonable and the entering into of the Tenancy Agreement is in the ordinary and usual course of the Group and in the interests of the Company and its shareholders as a whole.

Mr. Ding Rucai (chairman of the Company and executive Director) and Mr. Li Shaofeng (managing director of the Company and executive Director) hold directorships in certain subsidiaries of Shougang Group, abstained from voting on the relevant board resolutions of the Company for the approval of the Continuing Connected Transaction. Save as disclosed above, none of the Directors has a material interest in the Continuing Connected Transaction and therefore none of them has abstained from voting on the relevant board resolutions approving the same.

INFORMATION ON THE GROUP AND THE LANDLORD

The Group is principally engaged in coking coal mining, production and sales of coking coal products in the PRC.

Winluck is a company engaged in property investment, and is an indirect wholly-owned subsidiary of Shougang Holding and Shougang Group.

LISTING RULES IMPLICATIONS

On 23 December 2016, the Tenants entered into the 2016 Tenancy Agreement with the Landlord in respect of the lease of the Premises and such agreement is expired on 31 August 2018.

Prior to 16 November 2017, Shougang Group, through its subsidiaries, held approximately 2.24% interest in the Company and was not a connected person of the Company. The 2016 Tenancy Agreement was not a continuing connected transaction for the Company for the purpose of Chapter 14A of the Listing Rules at the time when the 2016 Tenancy Agreement was entered into. As each of the applicable ratios in respect of the 2016 Tenancy Agreement under Rule 14.07 of the Listing Rules was under 5%, the 2016 Tenancy Agreement also did not constitute a notifiable transaction for the Company at the time.

On 16 November 2017, Shougang International became a subsidiary of Shougang Group and thus Shougang Group also became a substantial shareholder of the Company from 16 November 2017 and the transactions between the Group and Shougang Group and/or its associates become connected transactions for the Company under the Listing Rules. The 2016 Tenancy Agreement subsequently became a continuing connected transaction for the Company under Chapter 14A.60 of the Listing Rules on 16 November 2017. As each of the applicable ratios calculated with reference to the highest annual rent payable over the remaining period under the 2016 Tenancy Agreement when the transaction became connected, being HK\$2,504,000, is less than 5% and HK\$3,000,000, pursuant to Rule 14A.76, the 2016 Tenancy Agreement was exempt from the reporting, announcement, annual review requirements, circular (including independent financial advice) and independent shareholders' approval requirement under Chapter 14A of the Listing Rules.

Regarding the Tenancy Agreement, as Shougang International is a substantial shareholder of the Company, its holding company, Shougang Group, is also a substantial shareholder of the Company. Accordingly, the transactions between the Group and Shougang Group and/or its associates become connected transactions for the Company under the Listing Rules. Since Winluck is an indirect wholly-owned subsidiary of Shougang Group, the transaction under the Tenancy Agreement constitutes a continuing connected transaction for the Company under the Listing Rules.

Pursuant to Rule 14A.76 of the Listing Rules, as the applicable percentage ratios (other than the profits ratio) calculated with reference to the highest annual rent of HK\$3,745,000 payable under the Tenancy Agreement exceed 0.1% but less than 5%, the Tenancy Agreement is subject to the reporting, announcement and annual review requirements, but is exempt from the circular (including independent financial advice) and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

DEFINITIONS

In this announcement, the following expressions will have the meanings set out below unless the context requires otherwise:

“Annual Cap(s)”	the maximum aggregate annual rent payable by the Tenants under the Tenancy Agreement for each of the three years ending 31 December 2020
“associate”	has the meaning ascribed to it under the Listing Rules
“Board”	the board of Directors
“Company”	Shougang Fushan Resources Group Limited, a company incorporated in Hong Kong, the shares of which are listed on the main board of the Stock Exchange
“Continuing Connected Transaction”	the transaction contemplated under the Tenancy Agreement
“Directors”	the directors of the Company
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollar, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the People's Republic of China

“Landlord” or “Winluck”	Winluck Properties Limited, a company incorporated in Hong Kong with limited liability and an indirect wholly-owned subsidiary of Shougang International and Shougang Group
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“PRC”	the People’s Republic of China
“Premises”	portion of the 6 th Floor of Bank of East Asia Harbour View Centre, No. 56 Gloucester Road, Wanchai, Hong Kong with an aggregate gross floor area of approximately 6,667 square feet
“Shougang International”	Shougang Concord International Enterprises Company Limited, a company incorporated in Hong Kong with limited liability whose shares are listed on the Stock Exchange (stock code: 697), a substantial shareholder of the Company
“Shougang Holding”	Shougang Holding (Hong Kong) Limited, a company incorporated in Hong Kong, the holding company of Shougang International
“Shougang Group”	首鋼集團有限公司 (Shougang Group Co., Ltd.*), a solely stated-owned company established in the PRC, the holding company of Shougang Holding
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“substantial shareholder”	has the meaning ascribed to it under the Listing Rules
“Tenancy Agreement”	the tenancy agreement dated 31 August 2018 between the Tenants and the Landlord in respect of the lease of the Premises
“Tenants”	the Company and certain wholly-owned subsidiaries of the Company incorporated in Hong Kong, namely Fu Hui Investments Limited, Fu Hui Jewellery & Goldsmith Company Limited, Gumpert Industries (HK) Limited, Shougang Resources (Hong Kong) Limited, Thechoice Finance (HK) Limited and Worldman Industrial (HK) Limited
“2016 Tenancy Agreement”	the tenancy agreement dated 23 December 2016 between the Tenants and the Landlord in respect of the lease of the Premises

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By Order of the Board
Shougang Fushan Resources Group Limited
Ding Rucai
Chairman

Hong Kong, 31 August 2018

As at the date of this announcement, the Board comprises Mr. Ding Rucai (Chairman), Mr. Li Shaofeng (Managing Director), Mr. So Kwok Hoo (Deputy Managing Director), Mr. Chen Zhaoqiang (Deputy Managing Director), Mr. Liu Qingshan (Deputy Managing Director), Mr. Leung Shun Sang, Tony (Non-executive Director), Ms. Chang Cun (Non-executive Director), Mr. Kee Wah Sze (Independent Non-executive Director), Mr. Choi Wai Yin (Independent Non-executive Director), Mr. Chan Pat Lam (Independent Non-executive Director) and Mr. Japhet Sebastian Law (Independent Non-executive Director).

** For identification purpose only*